

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6887

BILL NUMBER: HB 2017

DATE PREPARED: Dec 21, 2000

BILL AMENDED:

SUBJECT: County Option Income Tax Distribution.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes standards for determining the amount of County Option Income Tax (COIT) revenue that the Department of State Revenue will distribute to a county during a year. It allows a county income tax council to seek administrative and judicial review of a distribution certification.

Effective Date: Upon passage.

Explanation of State Expenditures: The State Budget Agency would likely experience an increase in administrative time and cost regarding the provisions of this bill. It would be required to maintain copies of work papers relating to the certification of COIT distributions regarding the following items:

- 1) the amount of money collected by the county under this chapter in previous years;
- 2) the increase or decrease in the tax rate of the county from previous years;
- 3) the historic increase or decrease in the collections for the county in previous years; and
- 4) any other factors necessary to accurately estimate COIT revenue distributions.

In addition, the State Budget Agency would likely need to hire additional staff and purchase additional computer equipment in order to meet the administrative and judicial review provisions of this bill. It is estimated that the State Budget Agency could experience annual costs of approximately \$100,000 in fulfilling this bill's requirements.

Certified Distribution Challenges

This bill would allow counties to challenge the amount of certified distributions they receive for COIT. It would allow a county income tax council to seek administrative review under adjudicative proceedings with the State Budget Director acting as the ultimate authority. In addition, counties would be able to appeal final determinations made by the State Budget Director under judicial review.

The ability of counties to challenge certified distributions will increase the number of administrative and judicial cases filed against the State of Indiana. The State would experience legal costs for outside counsel in order to defend itself regarding such lawsuits.

Legal expenses may require the State Budget Agency to hire a full time tax attorney.

The funds and resources required above could be supplied through a variety of sources, including the following: 1) existing staff and resources not currently being used to capacity; 2) existing staff and resources currently being used in another program; 3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; 4) funds that, otherwise, would be reverted; or 5) new appropriations.

Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Background

Currently the State Budget Agency makes revenue estimates for COIT certified distributions so that counties are able to anticipate a guaranteed amount of revenue during the next calendar year for budget purposes (the State Budget Agency already bases these revenue estimates on the criteria mentioned above.)

In addition, the State Budget Agency also grants review requests on an informal basis to any county official regarding State Budget Agency COIT methodology. It is estimated that approximately ten such requests are initiated each year by local officials.

For FY 2001, there are 25 counties that have adopted COIT. The 2001 certification totaled \$437.4 M to be distributed to those counties.

Explanation of State Revenues:

Explanation of Local Expenditures: Counties that have adopted COIT may have additional legal expenses if they challenge the certified distribution. Legal expenses would be paid out of the County General Fund (these expenses may or may not be offset by the potential change in the amount of certification). COIT revenues collected for each county will not change.

Explanation of Local Revenues:

State Agencies Affected: Attorney General's Office, State Budget Agency, Department of Revenue.

Local Agencies Affected: COIT Counties; Courts.

Information Sources: State Budget Agency.